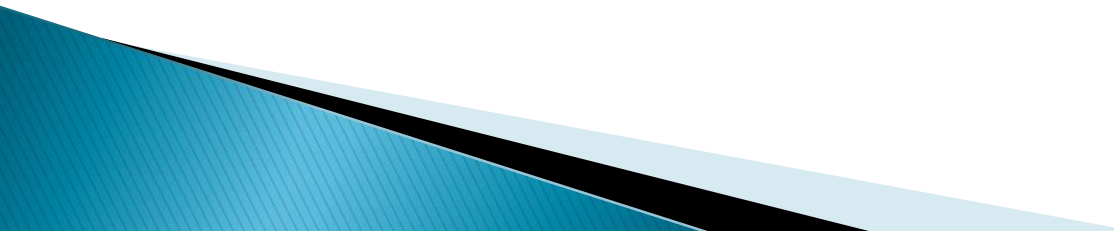


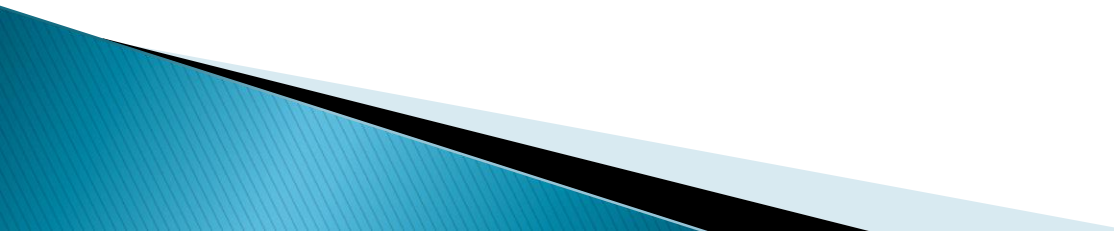
The Parastatal Reform Then and Now

Presenter: Mr. Jude Commettant
Public Enterprise Monitoring Commission

Prior to Economic Reform

- ▶ Prior to the economic reform, there were approximately 115 government bodies categorized as Public Enterprises.
 - ▶ There was a need to clearly identify those PEs primarily having a commercial purpose and initiate an arm's length relationship between the entity and the government by introducing the concept of PE company model.
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Budget Implication

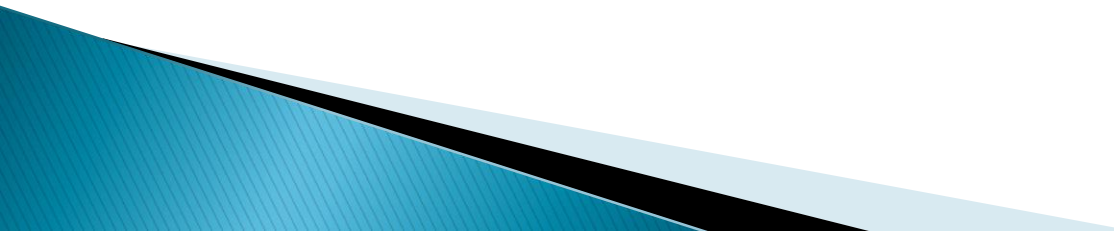
- ▶ PE's were creating significant pressures on the National Budget, as many of them were depending on government subvention.
 - ▶ Commercially viable PE's were being subsidized by the National Budget
 - ▶ No dividend was paid to government by many commercially viable PE's.
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Budget Implications cont...

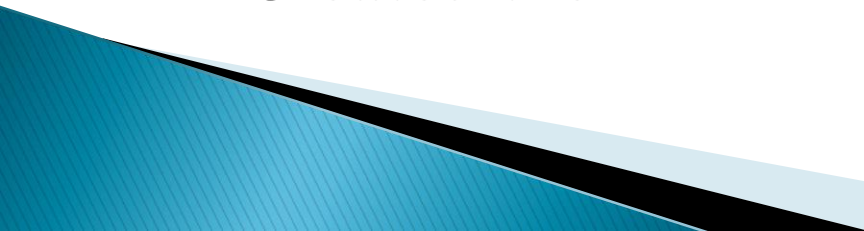
Direct transfers to commercial PEs from the National Budget

Name	2006	2007	2008
	SCR '000	SCR '000	SCR '000
PUC	10,000	92,000	44,950
SMB	0	48,000	0
IDC	11,000	13,000	7,000
SPTC	25,700	15,000	20,000
PMC	5,700	5,700	5,700
L'Union Estate	1,000	1,800	0
IOT	0	22,500	0
TOTAL	53,400	198,000	77,650


Budget Implications cont...

- ▶ Certain PE's were providing below cost services to the general public such as:
 - Seypec – LPG
 - PUC – Tariffs
 - SPTC – bus fares
 - Air Seychelles – Domestic air fares
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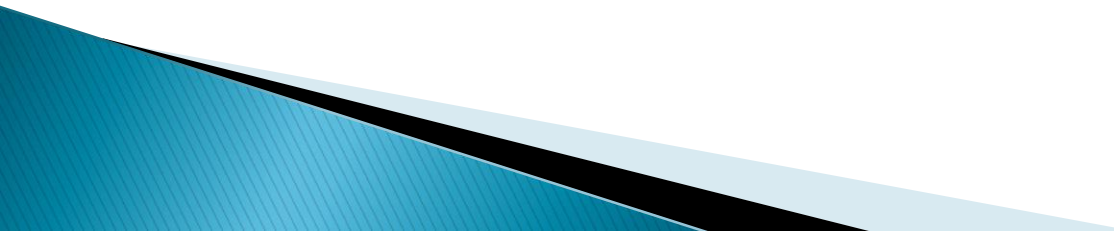
The Reform

- ▶ In 2008 the government undertook a significant reform designed to improve the performance of PEs through good governance aimed at making the sector more efficient, transparent and accountable.
 - ▶ This included;
 - the enactment of the Public Enterprise Monitoring Act in 2009.
 - Formalised the ownership framework for PEs
 - Clarified the roles of the various government agencies responsible for oversight
 - Created the PEMD in the Ministry of Finance
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The Reform Cont...

- a detailed work plan directed at reinforcing the monitoring and control of PEs, strengthening governance, reducing dependence on public funding and minimising financial risk to the state.
 - ▶ The Act required each PE to prepare a Statement of Corporate Intent to ensure that the objectives of Management, the Board and the Government as shareholders are in full alignment.
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The Reform Cont...

- ▶ To enhance the oversight capacity of the government over the PE's activities, there was a need to split the monitoring and regulatory functions.
 - ▶ The PEMD Act 2009 was repealed and replaced with the PEMC Act 2013.
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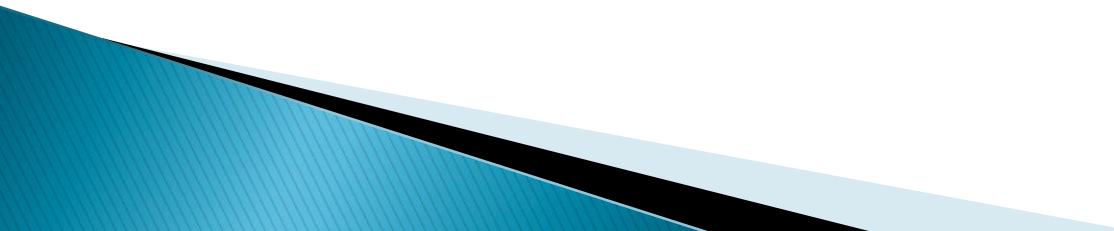
The Reform Cont...

The PEMC was created:



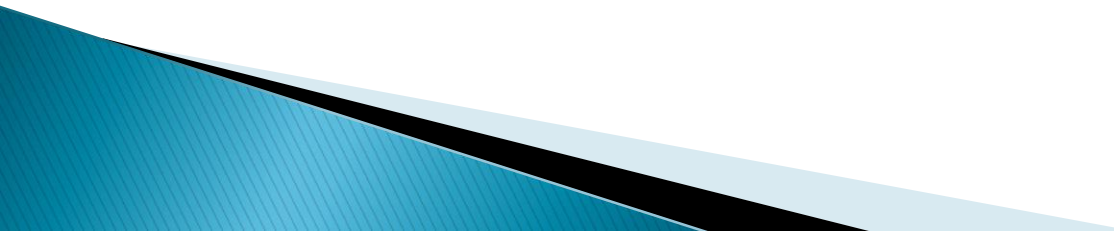
Reporting

▶ **Prior to the reform:**

- Financial and non-financial information were adhoc and inconsistent.
 - Some PEs were providing only annual audited financial statements whilst others were providing detailed annual reports.
 - Some PEs were audited regularly whilst others were not.
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Reporting

► Now:

- Financial and non-financial information are consistent.
 - All PE's are more focused and have a medium term strategy (Statement of Corporate Intent).
 - Monthly, quarterly and annual financial statements are being prepared and submitted.
 - Annual reports are being prepared by most PEs
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Governance

▶ Prior to the reform:

- The role of Chairperson and Chief Executive Officers were being held by the same person.
- The CFO was appointed by the CEO
- There were no sub committees to the Board
- There were no clear line drawn between the role and function of the CEO and that of the Board
 - The Board was not being consulted in the strategic decisions regarding their respective PEs

Governance

► Now:

- There are no longer any Executive Chairpersons
 - The CFO is appointed by the Board
 - Different sub-committees have been created such as procurement, investment and audit committee
 - The role of Responsible Ministers, Boards and CEOs have been clearly defined
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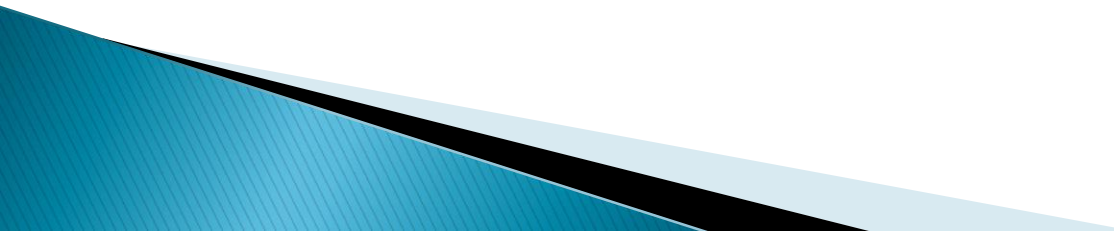
Risks

► Prior to the reform:


- There were no risk mitigation strategy.
- The impact of business decision on the government fiscal budget and the economy were not being considered by PEs.
- Medium and long term projections were not properly documented.
- There was a lack of proper supervision by the shareholders on PE investments and the fiscal risk they posed.
- There were no understudy of the Executives of the PE's

Risks Cont...

► Now:

- All PE's have a risk mitigation strategy as part of their Statement of Corporate Intent
 - The impact of both business and strategic decisions made by PE's are closely monitored
 - Medium and long term projections are part of the PE's SCI
 - Shareholders take a more active role in PE's investment decisions
 - Many PE's have a deputy CEO or an understudy to the CEO and the CFO
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Achievements

- ▶ Government as the shareholder is well versed in the activities, roles and operation of PE's.
 - ▶ The PE's are more conscious of their roles and responsibility towards the government.
 - ▶ PE's have been classified into commercial and non-commercial entities.
 - ▶ Certain PE's have been privatised, others liquidated to reduce the total number of PE's.
 - ▶ The commercially viable PE's are no longer dependent on government budget and the overall number of PE's on government budget has significantly reduced.
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Thank you